

AGREEMENT REGARDING CANCELLATION OF INDEBTEDNESS

AGREEMENT REGARDING CANCELLATION OF INDEBTEDNESS (this "Agreement") dated as of March 31, 2003, among Americas Mining Corporation, a Delaware corporation ("AMC"), ASARCO Incorporated, a New Jersey corporation ("ASARCO"), and Southern Peru Holdings Corporation, a Delaware corporation ("SPHC").

WHEREAS, pursuant to that certain Stock Purchase Agreement (the "Stock Purchase Agreement"), dated as of March 31, 2003 among AMC, SPHC II Incorporated, a Delaware corporation, SPHC and ASARCO, SPHC has agreed to sell to AMC, and AMC has agreed to purchase from SPHC, the Shares (as defined in the Stock Purchase Agreement);

WHEREAS, as a part of the consideration for the sale of the Shares, Section 1(c) of the Stock Purchase Agreement requires the cancellation by AMC and/or its subsidiaries, at the direction and request of SPHC, of the \$41.75 million in principal amount of debt owed to any of them by ASARCO and/or SPHC and such other amount as may be provided under the Stock Purchase Agreement;

WHEREAS, as of the date hereof, the aforementioned intercompany debt of ASARCO or SPHC owed to AMC and/or any of its other subsidiaries to be cancelled under the terms of the Stock Purchase Agreement consists of an advance in the principal amount of \$41,750,000 made by AMC to ASARCO on November 30, 2001 as evidenced by a promissory note (the "Promissory Note") dated November 30, 2001 and, if applicable, the Bridge Loan made pursuant to Section 1(c) of the Stock Purchase Agreement;

WHEREAS, the Seller has requested and directed the parties hereto to cancel the indebtedness represented by the principal amount of the Promissory Note (but not the obligation to pay the accrued and unpaid interest on the Promissory Note as of the time of such cancellation) and, if applicable, the Bridge Loan (collectively, the "Cancelled Intercompany Debt"), as part of the consideration for the Shares, such cancellation to occur concurrently with the consummation of the other transactions required to occur on the Closing Date pursuant to the Stock Purchase Agreement (the "Transactions"); and

WHEREAS, ASARCO and AMC desire that the Cancelled Intercompany Debt be cancelled as part of the consideration for the Shares upon consummation of the Transactions;

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual promises herein contained, the parties hereby agree as follows:

1. Cancellation. Upon consummation of the Transactions, the Cancelled Intercompany Debt will be automatically cancelled without any further action on the part of any party hereto.

2. Return of Promissory Note. Upon consummation of the Transactions and the cancellation of the Cancelled Intercompany Debt, AMC shall return the Promissory Note to Asarco stamped "Cancelled."

3. Choice of Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.


4. Jurisdiction. The parties to this Agreement agree that any suit, action or proceeding arising out of, or with respect to, this Agreement or any judgment entered by any court in respect thereof shall be brought (i) in the action styled United States v. ASARCO, Inc. and Southern Peru Holdings Corporation, No. CIV-02-2079-PHX-RCB in the U.S. District Court for the District of Arizona or (ii) in the courts of the State of New York in New York County or in the U.S. District Court for the Southern District of New York, and the parties hereto hereby irrevocably accept the non-exclusive personal jurisdiction of those courts for the purpose of any suit, action or proceeding. In addition, the parties hereto each hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any judgment entered by any court in respect thereof brought in the U.S. District Court for the District of Arizona or in any court of the State of New York in New York County or in the U.S. District Court for the Southern District of New York, and each hereby further irrevocably waives any claim that any suit, action or proceedings brought in any such court has been brought in an inconvenient forum.

5. Counterparts. This Agreement may be executed in two or more original or facsimile counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers, thereunto duly authorized, all as of the day and year first above written.


AMERICAS MINING CORPORATION

By: 
Name: Héctor García de Quevedo Topete
Title: Attorney-in-fact

ASARCO INCORPORATED

By: _____
Name: Douglas E. McAllister
Title: General Counsel

SOUTHERN PERU HOLDINGS CORPORATION

By: 
Name: Ernesto Durán Trinidad
Title: Attorney-in-fact

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers, thereunto duly authorized, all as of the day and year first above written.

AMERICAS MINING CORPORATION

By: _____
Name: Héctor García de Quevedo Topete
Title: Attorney-in-fact

ASARCO INCORPORATED

By: D. E. McAllister
Name: Douglas E. McAllister
Title: General Counsel

SOUTHERN PERU HOLDINGS CORPORATION

By: _____
Name: Ernesto Durán Trinidad
Title: Attorney-in-fact

IRREVOCABLE ASSIGNMENT AND ACKNOWLEDGMENT OF ASSIGNMENT


For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned SOUTHERN PERU HOLDINGS CORPORATION, a Delaware corporation ("Assignor"), hereby irrevocably sells, assigns and transfers to ASARCO INCORPORATED, a New Jersey corporation ("Assignee"), all of its right, title and interest in and to (a) that certain Promissory Note due May 31, 2010, dated March 31, 2003 in the principal amount of \$100,000,000.00, made by Americas Mining Corporation ("Maker") to Assignor (the "Note"), and (b) that certain Guaranty, dated March 31, 2003, made by Grupo México, S.A. de C.V. ("Guarantor") in favor of Assignor (the "Guaranty"). Copies of the Note and the Guaranty are attached hereto as Exhibits A and B, respectively.

The present sale, assignment and transfer by Assignor of the Note and the Guaranty to Assignee, and the acknowledgment thereof by Maker and Guarantor, are made and delivered pursuant to the terms of that certain Stock Purchase Agreement dated as of March 31, 2003 by and among Maker, Assignor, SPHC II Incorporated and ASARCO Incorporated.

This Irrevocable Assignment and Acknowledgment of Assignment (this "Assignment"), and the rights and obligations of Assignor, Assignee, Maker and Guarantor hereunder, shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the State of New York (including without limitation Section 5-1401 of the General Obligations Law of the State of New York), without regard to conflicts of laws principles.

IN WITNESS WHEREOF, each of Assignor and Assignee has caused this Assignment to be executed by its duly authorized officer as of March 31, 2003.

**SOUTHERN PERU HOLDINGS
CORPORATION**, as Assignor



By: _____
Name: Ernesto Durán Trinidad
Title: Attorney-in-fact

ASARCO INCORPORATED, as Assignee

By: _____
Name: Douglas E. McAllister
Title: General Counsel

IN WITNESS WHEREOF, each of Assignor and Assignee has caused this Assignment to be executed by its duly authorized officer as of March 31, 2003.

**SOUTHERN PERU HOLDINGS
CORPORATION**, as Assignor

By: _____
Name: Ernesto Durán Trinidad
Title: Attorney-in-fact

ASARCO INCORPORATED, as Assignee

By: *Douglas E. McAllister*
Name: Douglas E. McAllister
Title: General Counsel

Each of Maker and Guarantor hereby acknowledges and agrees to the terms of this Assignment.

AMERICAS MINING CORPORATION, as
Maker

By: 

Name: Héctor García de Quevedo Topete

Title: Attorney-in-fact

GRUPO MÉXICO, S.A. DE C.V., as Guarantor

By: 

Name: Daniel Tellechea Salido

Title: Administration and Finance President

Note B

Please refer to Tab 3.

Guaranty

Please refer to Tab 4.

IRREVOCABLE ASSIGNMENT AND ACKNOWLEDGMENT OF ASSIGNMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned ASARCO INCORPORATED, a New Jersey corporation ("Assignor"), hereby irrevocably sells, assigns and transfers to Daniel J. Silver, as trustee of the ASARCO Trust ("Assignee"), all of its right, title and interest in and to (a) that certain Promissory Note due May 31, 2010, dated March 31, 2003 in the principal amount of \$100,000,000.00 (the "Note"), made by Americas Mining Corporation ("Maker") to Southern Peru Holdings Corporation ("SPHC"), which Note was absolutely and irrevocably assigned to Assignor by SPHC by and through that certain Irrevocable Assignment and Acknowledgement of Assignment executed by Assignor, Maker, Guarantor and SPHC, dated March 31, 2003 (the "Parent Assignment"), and (b) that certain Guaranty, dated March 31, 2003, made by Grupo México, S.A. de C.V. ("Guarantor") in favor of Southern Peru Holdings Corporation (the "Guaranty"), which Guaranty was absolutely and irrevocably assigned to Assignor by SPHC by and through the Parent Assignment. Copies of the Note and the Guaranty are attached hereto as Exhibits A and B, respectively.

The present sale, assignment and transfer by Assignor of the Note and the Guaranty to Assignee, and the acknowledgment thereof by Maker and Guarantor, are made and delivered pursuant to the terms of that certain Stock Purchase Agreement dated as of March 31, 2003 by and among Maker, Southern Peru Holdings Corporation, SPHC II Incorporated and Assignor.

Assignor, Assignee, Maker and Guarantor hereby acknowledge that Assignor has granted a security interest in all of its right, title and interest in and to the Note and the Guaranty to the United States pursuant to that certain Security Agreement dated as of March 31, 2003 by and between Assignor and the United States (the "Security Agreement"), and Assignee hereby agrees that the present sale, assignment and transfer by Assignor of the Note and the Guaranty to Assignee are subject to the security interest created pursuant to the Security Agreement.

This Irrevocable Assignment and Acknowledgment of Assignment (this "Assignment"), and the rights and obligations of Assignor, Assignee, Maker and Guarantor hereunder, shall be governed by, and shall be construed and enforced in accordance with, the internal laws of the State of New York (including without limitation Section 5-1401 of the General Obligations Law of the State of New York), without regard to conflicts of laws principles.

IN WITNESS WHEREOF, each of Assignor and Assignee has caused this Assignment to be executed by its duly authorized officer as of March 31, 2003.

ASARCO INCORPORATED, as Assignor

By: Douglas E. McAllister
Name: Douglas E. McAllister
Title: General Counsel

DANIEL J. SILVER, AS TRUSTEE OF THE
ASARCO TRUST, as Assignee

By: _____
Name: Daniel J. Silver
Title: Trustee

IN WITNESS WHEREOF, each of Assignor and Assignee has caused this Assignment to be executed by its duly authorized officer as of March 31, 2003.

ASARCO INCORPORATED, as Assignor

By: _____
Name: Douglas E. McAllister
Title: General Counsel

**DANIEL J. SILVER, AS TRUSTEE OF THE
ASARCO TRUST**, as Assignee

By: 
Name: Daniel J. Silver
Title: Trustee

Each of Maker and Guarantor hereby acknowledges and agrees to the terms of this Assignment.

AMERICAS MINING CORPORATION, as
Maker

By: 

Name: Héctor García de Quevedo Topete

Title: Attorney-in-fact

GRUPO MÉXICO, S.A. DE C.V., as Guarantor

By: 

Name: Daniel Tellechea Salido

Title: Administration and Finance President

Note B

Please refer to Tab 3.

Guaranty

Please refer to Tab 4.

ASARCO SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "**Agreement**") is made as of March 31, 2003 by and between ASARCO Incorporated, a New Jersey corporation with its principal office located at 2575 E. Camelback Road, Suite 500, Phoenix, Arizona 85016 ("**Grantor**"), and the U.S. Department of Justice, Environmental and Natural Resources and Environmental Enforcement Sections, on behalf of the United States of America (including all Executive Branch instrumentalities of the federal government, collectively referred to as the "**United States**" or "**Secured Party**"), located at Ben Franklin Station, P.O. Box 7611, Washington, D.C. 20044. Unless otherwise defined herein, all capitalized terms used herein shall have the meanings assigned to such terms in the Consent Decree (as hereinafter defined).

Recitals

WHEREAS, Grantor has various environmental liabilities or potential liabilities to the United States pursuant to certain consent decrees, administrative orders, or environmental statutes;

WHEREAS, the United States has filed a complaint against Grantor and Southern Peru Holdings Corporation ("**SPHC**") pursuant to the Federal Debt Collection Procedures Act, 28 U.S.C. § 3004, and the Federal Priorities Statute, 31 U.S.C. § 3713, in a suit denominated United States v. ASARCO Incorporated and Southern Peru Holdings Corporation, No. CIV-02-2079-PHX-RCB (D. Ariz.) ("the **Action**");

WHEREAS, the United States, Grantor and SPHC have entered into a consent decree, including attachments and related agreements, that resolves the claims raised by the United States in the Action (the "**Consent Decree**");

WHEREAS, as part of the transactions contemplated by the Consent Decree, (i) Americas Mining Corporation ("**AMC**") has issued to SPHC that certain Promissory Note Due May 31, 2010, dated March 31, 2003 in the original principal amount of \$100,000,000, in the form set forth as Appendix B to the Consent Decree ("**Note B**"), and (ii) Grupo México, S.A de C.V. has agreed to guarantee the obligations of AMC under Note B pursuant to that certain Guaranty, dated as of March 31, 2003, in the form set forth as Appendix C to the Consent Decree (the "**Guaranty**");

WHEREAS, pursuant to the Consent Decree, (i) SPHC is required to assign Note B and the Guaranty to Grantor; and (ii) Grantor is required to grant Secured Party a security interest in Note B and the Guaranty to secure the Secured Obligations (as hereinafter defined);

WHEREAS, pursuant to the Consent Decree and subject to such security interest in favor of Secured Party, Grantor is required to assign Note B and the Guaranty to the ASARCO Environmental Remediation Trust;

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and as consideration in part for the releases and covenants set forth in the Consent Decree, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

(a) "Collateral" shall mean:

(i) Note B and the Guaranty; and

(ii) all proceeds of any or all of the foregoing Collateral.

(b) "proceeds" shall have the meaning set forth in the UCC.

(c) "Secured Obligations" shall mean (i) payment and performance of each and every obligation, covenant, and agreement of Grantor set forth in the civil judgments, consent decrees, and administrative orders identified in Section I (Background) Paragraphs C, D, and E of the Consent Decree, in each case as the obligations, covenants, and agreements of the Grantor under such civil judgments, consent decrees, and administrative orders are conditioned by Article X of the Consent Decree ("Covenants of the United States"), and (ii) payment of all sums advanced or expended by or on behalf of Secured Party in accordance herewith in connection with the Secured Obligations in order to protect, retake, hold, or prepare for sale or other disposition of, or realize upon, any of the Collateral.

(d) "UCC" shall mean the Uniform Commercial Code of the State of New York, as amended, except to the extent that the Uniform Commercial Code as enacted in another jurisdiction applies by operation of law as to any provision contained herein, in which case such law of another jurisdiction shall govern such provision.

2. Pledge of Collateral and Grant of Security Interest. Grantor does hereby unconditionally and irrevocably assign, pledge, convey, mortgage, transfer, hypothecate and grant unto the Secured Party, as security for the Grantor's full payment and performance when due of the Secured Obligations, a lien on and security interest in all of Grantor's right, title and interest in and to the Collateral, in each case whether now or hereafter existing, whether tangible or intangible, or in which Grantor now has or hereafter acquires an interest and wherever the same may be located. When properly perfected by the filing of a duly-completed UCC financing statement with the Secretary of State of the State of New Jersey, the security interest of Secured Party in the Collateral shall constitute a valid and perfected first-priority security interest. Grantor hereby irrevocably authorizes Secured Party, at any time and from time to time, to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments

thereto and continuations thereof in order to perfect or continue the perfection of Secured Party's security interest in the Collateral.

3. **Provisions Relating to Collateral.** Anything contained herein to the contrary notwithstanding, Grantor shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under any agreement giving rise to any of the Collateral, all in accordance with the terms thereof. Secured Party shall not have any duty, obligation or liability under any such agreement by reason of or arising out of this Agreement or the receipt by Secured Party of any payment relating to such agreement or the Collateral pursuant hereto, nor shall Secured Party be obligated in any manner to perform any of the obligations of Grantor under or pursuant to any such agreement or to take any action to enforce performance of, or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times under or in respect of, any of the Collateral, unless the Secured Party so elects in a writing delivered to the Grantor.

4. **Remedies Upon Default.**

(a) Upon default by Grantor in the payment or performance of any of the Secured Obligations, Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral).

(b) Without limiting the foregoing, the Secured Party's rights and remedies upon such a default by the Grantor shall include, but shall not be limited to, the right to make such payments and do such acts as the Secured Party may deem necessary to protect, perfect, or continue the perfection of its security interest in the Collateral, including (i) paying, purchasing, contesting, or compromising any lien that is, or purports to be, prior to or superior to the security interest granted hereunder and (ii) commencing, appearing, or otherwise participating in or controlling any action or proceeding purporting to affect the security interest in or ownership of the Collateral;

(c) foreclose on the Collateral as herein provided or in any manner permitted by applicable law and exercise any and all of the rights and remedies conferred upon the Secured Party by the documents constituting the Collateral, either concurrently or in such order as the Secured Party may determine, without affecting the rights or remedies to which the Secured Party may be entitled under this Agreement or under the Consent Decree; the Grantor hereby waives, to the extent permitted by applicable law, notice and judicial hearing in connection with the Secured Party's taking possession or commencing any collection, recovery, receipt, appropriation, repossession, retention, set-off, sale, conveyance, assignment, transfer, or other disposition of or realization upon any or all of the Collateral, including any and all prior notice and hearing for any pre-judgment remedy or remedies and any such right that the Grantor would otherwise have under the constitution or any statute or other law of the United States of America or of any state thereof.

5. **Secured Party Appointed Attorney-in-Fact.** Grantor hereby irrevocably appoints Secured Party and any agent thereof as its true and lawful attorney-in-fact, with full

authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time to take any action and to execute any instrument the Secured Party may deem necessary or appropriate in order to exercise its remedies hereunder, including, without limitation:

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Collateral,

(b) to receive, indorse and collect any drafts or other instruments, documents, security certificates and chattel paper, in connection therewith, and

(c) to file any claims or take any action or institute any proceedings which Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce compliance with the terms, conditions or rights of Secured Party with respect to any of the Collateral.

6. **Perfection of Security Interest in Collateral.** In order to ensure the attachment, perfection, and first priority of, and the ability of the Secured Party to enforce, the security interest in the Collateral created hereby, the Grantor agrees, at the Grantor's sole expense, to take the following actions with respect to the Collateral:

(a) **Financing Statements.** The Grantor shall execute, file, or cause to be filed, registered, and recorded all financing statements, notices, instruments, agreements, consents, and other documents as are necessary or desirable in the reasonable judgment of the Secured Party or required by applicable law to create, preserve, perfect, or validate the security interest in favor of the Secured Party, and each such document shall have been properly filed, registered, or recorded in each jurisdiction in which the filing, registration, or recordation thereof shall be necessary or required by applicable law to grant in favor of the Secured Party a perfected security interest in the Collateral, and the Secured Party shall have received an acknowledgment copy, or other evidence reasonably satisfactory to it, of each such filing, registration, and recordation;

(b) **Further Assurances.** To the extent not included in the foregoing, the Grantor shall, from time to time at the Grantor's expense, promptly execute and deliver all further agreements, instruments, and documents, and take all further action, that may be necessary, or that the Secured Party reasonably determines may be necessary or advisable, in order to create, perfect, or protect the security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral in accordance with the terms of this Agreement and the Consent Decree.

7. **Representations, Warranties and Covenants of the Parties.**

(a) In addition to the representations made by Grantor in the Consent Decree, Grantor makes the following representations and warranties, which shall be deemed to be continuing representations and warranties in favor of Secured Party, and covenants and

agrees to perform all acts necessary to maintain the truth and correctness, in all material respects, of the following:

(i) No effective security agreement, financing statement or other document similar in effect covering all or any part of the Collateral is on file in any recording office.

(ii) Grantor has the full right and title to the Collateral, free and clear of all liens and claims of others, and has the full power, legal right and authority to pledge, convey, transfer and assign such interest. None of the Collateral is subject to any existing assignment, claim, lien, pledge, transfer or other security interest of any character, or to any attachment, levy, garnishment or other judicial process or to any claim for set-off, counterclaim, deduction or discount.

(iii) Grantor shall not, without the prior written consent of Secured Party, further convey, set over, pledge or otherwise transfer to any party any of its interests in the Collateral except as contemplated by the Consent Decree, it being agreed that (a) any such transfer contemplated by the Consent Decree shall be made expressly subject to the security interest granted to Secured Party hereunder and (b) in no event shall Secured Party's requirement that any such transfer be made be deemed to constitute a release of the security interest granted to it hereunder.

(iv) Grantor agrees to (a) warrant and defend its title to the Collateral and the security interest created by this Agreement against all claims of all persons and (b) maintain and preserve the Collateral and such security interest.

(v) The exact legal name of the Grantor is ASARCO Incorporated, the Grantor is a duly formed and validly existing corporation in good standing under the laws of the State of New Jersey, and the Grantor's certificate of incorporation is duly filed with the Secretary of State of the State of New Jersey. The Grantor's chief executive office is located at 2575 E. Camelback Road, Suite 500, Phoenix, Arizona 85016. Grantor has the corporate power and authority to own and operate its properties, to transact the business in which it is now engaged and to execute, deliver, and perform this Agreement.

(vi) This Agreement constitutes the duly authorized, legally valid, and binding obligation of the Grantor, enforceable against the Grantor in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(vii) All consents and grants of approval required to have been granted by any person in connection with the execution, delivery, and performance of this Agreement have been granted, are in full force and effect, and are non-appealable.

(viii) There is no pending or threatened action, suit, litigation, investigation, arbitration, or other proceeding involving or affecting Grantor or any of its properties or assets

which could reasonably be expected to materially and adversely affect Grantor's ability to execute, deliver, and perform its obligations under this Agreement.

(ix) the execution, delivery, and performance of this Agreement by Grantor do not and will not (A) violate any law, governmental rule or regulation, court order, writ, injunction, or agreement to which it is subject or by which it or its properties are bound or the charter documents or bylaws of Grantor or (B) result in the creation of any lien or other encumbrance with respect to the property of Grantor other than the security interest in favor of the Secured Party.

(x) Financing statements of other appropriate instruments have been filed pursuant to the UCC in the public offices set forth in Schedule A hereto as may be necessary to perfect the security interest granted or purported to be granted hereby. All other action necessary or requested by the Secured Party to protect and perfect the security interest in each item of the Collateral as of the date hereof has been duly taken. Subject to the requirements contained in the UCC with respect to the filing of continuation statements, this Agreement creates a valid, continuing, and perfected security interest in the Collateral in favor of the Secured Party, subject to no other liens, and is enforceable as against creditors of and purchasers from the Grantor.

8. **Covenants and Agreements of Grantor.** The Grantor hereby covenants and agrees that it shall observe and fulfill, and shall cause to be observed and fulfilled, each and all of the following covenants until all Secured Obligations have been indefeasibly paid and performed in full:

(a) **Legal Status.** Without giving at least thirty (30) days prior notice to the Secured Party, the Grantor shall not change its name, place of business or, if more than one, chief executive office, or its mailing address or organizational identification number if it has one, or change its type of organization or jurisdiction of organization.

(b) **Prohibition Against Transfer of Collateral.** The Grantor shall not sell, assign, transfer or otherwise dispose of any part of the Collateral, whether in one or a series of transactions, or otherwise undertake the sale or disposal of any of the Collateral, except as expressly permitted pursuant to this Agreement and the Consent Decree.

(c) **Limitation on Liens on the Collateral.** The Grantor shall not create, assume, incur, suffer to exist, or permit to be created, assumed, incurred or suffered to exist, shall defend the Collateral against, and shall take such other action as is necessary to remove, any lien or claim on or to the Collateral, other than as expressly permitted by this Agreement and the Consent Decree, and shall defend the right, title, and interest of the Secured Party in and to any of the Collateral against the claims and demands of all persons whomsoever other than with respect to claims and demands permitted under this Agreement and the Consent Decree.

9. **Waiver and Estoppel.** No delay or failure on the part of Secured Party in the exercise of any right or remedy against Grantor or any of the Collateral shall operate as a waiver of any agreement or obligation contained herein, and no single or partial exercise by Secured Party of any rights or remedies hereunder shall preclude any other or further exercise thereof or the exercise of any other right or remedy, whether contained in this Agreement or in the Consent

Decree or in any other agreement between Grantor and Secured Party. No waiver of the rights of Secured Party hereunder or in connection herewith and no release of Grantor shall be effective unless in writing executed by Secured Party. No actions of Secured Party permitted under this Agreement shall in any way impair or affect the enforceability of any agreement or obligation contained herein.

10. **GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, EXCEPT TO THE EXTENT THAT THE UNIFORM COMMERCIAL CODE AS ENACTED IN ANOTHER JURISDICTION APPLIES BY OPERATION OF LAW AS TO ANY PROVISION CONTAINED HEREIN, IN WHICH CASE SUCH LAW OF ANOTHER JURISDICTION SHALL GOVERN SUCH PROVISION.

11. **Successors and Assigns.** All agreements, covenants, conditions and provisions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties hereto.

12. **Notices.** Any notice, demand, request or other communication that any party hereto may be required or may desire to give hereunder shall be given in accordance with the terms of Paragraph 49 of the Consent Decree.

13. **Severability.** Every provision of this Agreement is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

14. **Amendment.** Except as otherwise provided herein, this Agreement may be modified or rescinded only by a writing expressly relating to this Agreement and signed by both parties.

15. **Termination.** This Agreement shall terminate and shall be of no further force or effect, upon the earlier to occur of:

- (a) mutual consent of the Grantor and the Secured Party; and
- (b) the indefeasible payment and performance in full of the Secured Obligations.

16. **Counterparts.** This Agreement may be executed in one or more counterparts by some or all of the parties hereto, each of which counterparts shall be an original and all of which together shall constitute a single agreement.

17. **Assignability.** Grantor may not assign any of its obligations under this Agreement, unless such assignment is by virtue of a consolidation, merger, acquisition or

disposition of all or substantially of the assets of Grantor wherein the successor entity, purchaser, transferee or assignee has the same right, title and interest as Grantor in the Collateral.

18. No Duty on the Secured Party's Part; Limitation on Secured Party's

Obligations; Exculpatory Provisions. The powers conferred on the Secured Party hereunder are solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers, including, without limitation, any collections, calls, conversions, maturities, tenders, or other matters relating to the Collateral. All of the Collateral is hereby assigned to the Secured Party solely as security, and the Secured Party shall have no duty, liability, or obligation whatsoever with respect to any of the Collateral, including, without limitation, the filing of any continuation statements, unless the Secured Party so elects in writing consistent with its rights under this Agreement. Any costs or expenses incurred by the Secured Party in connection with the validity, interpretation, or enforcement of its security interest in the Collateral, or any exercise of its rights or remedies hereunder, shall constitute a part of the Secured Obligations secured by the Collateral. The Secured Party is not a fiduciary of or shall owe or be deemed to owe any fiduciary duty to the Grantor, any affiliate of the Grantor, or any other party asserting claims or rights to the Collateral. Neither the Secured Party nor any of its employees, agents, or attorneys-in-fact shall be liable to the Grantor for any action taken or omitted to be taken by the Grantor under or in connection with this Agreement, or responsible in any manner to any person for any recitals, statements, representations, or warranties made by the Grantor or any officer thereof contained in this Agreement, or for the value, validity, effectiveness, genuineness, enforceability, or sufficiency of this Agreement or for any failure of the Grantor to perform any of the Secured Obligations. The Secured Party shall not be under any obligation to any person to ascertain or to inquire as to the observance or performance of any of the agreement contained in, or conditions of, this Agreement or to inspect the properties or records of the Grantor.

THE NEXT PAGE IS THE SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of the date first above written.

ASARCO INCORPORATED

By: Douglas E. McAllister
Name: Douglas E. McAllister
Title: General Counsel

U.S. DEPARTMENT OF JUSTICE

By: _____
Name: Bruce S. Gelber
Title: Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice

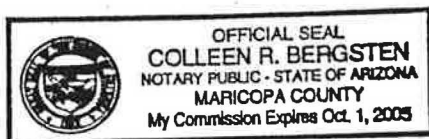
STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

The foregoing instrument was acknowledged before me this 26 day of ^{March}~~February~~, 2003
by Douglas E. McAllister, General Counsel of ASARCO Incorporated.

WITNESS my hand and official seal.

My commission expires: Oct. 1, 2005

Colleen R. Bergsten
(SEAL) Notary Public

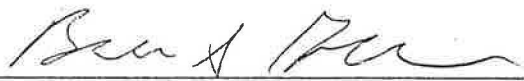


IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of the date first above written.

ASARCO INCORPORATED

By: _____
Name: Douglas E. McAllister
Title: General Counsel

U.S. DEPARTMENT OF JUSTICE

By:  _____
Name: Bruce S. Gelber
Title: Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice

DISTRICT OF COLUMBIA

)

) SS.

WASHINGTON

)

The foregoing instrument was acknowledged before me this 2/5/ day of March, 2003, by Bruce S. Gelber, Section Chief, Environmental Enforcement Section, U.S. Department of Justice.

WITNESS my hand and official seal.

Jo I. Samuels

Notary Public, District of Columbia

My Commission Expires March 14, 2004

My commission expires: _____

(SEAL)

Notary Public

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Sidley Austin Brown & Wood LLP
787 Seventh Avenue
New York, New York 10019
Attention: Jonathan P. Williams, Esq.

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME				
OR ASARCO Incorporated				
1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY
2575 East Camelback Road, Suite 500		Phoenix	AZ	85016 USA
1d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
		Corporation	New Jersey	1611359000 <input type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S LAST NAME				
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY
2d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any
				<input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME				
United States of America, c/o United States Department of Justice, Environmental & Natural Resources Division, Environmental				
OR Enforcement Section				
3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY
Ben Franklin Station, P.O. Box 7611		Washington	DC	20044-7611 USA

4. This FINANCING STATEMENT covers the following collateral:

All of the Debtor's right, title and interest in and to certain collateral as fully described on Schedule I attached hereto and made a part hereof.

5. ALTERNATIVE DESIGNATION [if applicable]:	<input type="checkbox"/> LESSEE/LESSOR	<input type="checkbox"/> CONSIGNEE/CONSIGNOR	<input type="checkbox"/> BAILEE/BAILOR	<input type="checkbox"/> SELLER/BUYER	<input type="checkbox"/> AG. LIEN	<input type="checkbox"/> NON-UCC FILING
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional]		<input type="checkbox"/> All Debtors <input type="checkbox"/> Debtor 1 <input type="checkbox"/> Debtor 2			

8. OPTIONAL FILER REFERENCE DATA

New Jersey Secretary of State

FILING OFFICE COPY — UCC FINANCING STATEMENT (FORM UCC1) (REV. 05/22/02)
MDUCC1PNAT- 10/01/02 C T Corporation System

SCHEDULE I TO UCC-1 FINANCING STATEMENT

DEBTOR:

ASARCO Incorporated
2575 East Camelback Road
Suite 500
Phoenix, Arizona 85016

SECURED PARTY:

United States of America
c/o United States Department of Justice,
Environmental & Natural Resources Division,
Environmental Enforcement Section
Ben Franklin Station
P.O. Box 7611
Washington, District of Columbia 20044-7611

DESCRIPTION OF COLLATERAL:

All of the Debtor's right, title and interest in and to the following:

(i) that certain Promissory Note due May 31, 2010, dated March 31, 2003 (the "Note"), in the original principal amount of \$100,000,000, made by Americas Mining Corporation in favor of Southern Peru Holdings Corporation ("SPHC") and subsequently assigned by SPHC to the Debtor;

(ii) that certain Guaranty of the Note, dated as of March 31, 2003, made by Grupo México, S.A. de C.V. in favor of SPHC and subsequently assigned by SPHC to the Debtor; and

(iii) all proceeds of any or all of the collateral described in the foregoing clauses (i) and (ii);

in each case, whether now or hereafter existing, whether tangible or intangible, or in which the Debtor now has or hereafter acquires an interest and wherever the same may be located.